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OFFICE OF
THE TREASURY ATTACHE

UNITED STATES TREASURY DEPARTMENT
AMERICAN CONSULATE GENERAL

SHANGHAI, CHINA

July 21, 1939.

Commissioner of Customs,
(Investigative Unit),
Treasury Department,
Washington, D. C.

Sir:

There are enclosed for the information of the Bureau
and other interested Departments copies of a report
entitled: "Japan's Plan for Drug Monopoly in East China."

Respectfully,

W. K. Anderson

Treasury Attaché

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Fuller
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Shanghai, July 18, 1939.

Investigation Unit
Mr. R. Nichols
JAPAN'S PLAN FOR DRUG MONOPOLY IN
EAST CHINA

Information secured from puppet circles here reveals that the Japanese authorities have decided to grant a monopoly for the manufacture and distribution of narcotic drugs for "medicinal and scientific purposes" in their occupied areas in this part of China to a leading Japanese drug firm. The source of raw materials will be chiefly monopoly opium, from which 3% of morphine is to be extracted before distribution. This is the system employed by the Japanese opium monopoly in Formosa. After extraction of this 3% of morphine, the residue will be mixed with other elements, thus giving the government opium a new formula which is entirely different from private opium and facilitating official control.

As a site for the narcotic factory needed to extract the morphine from monopoly opium, there was originally suggested the large house at 76 Jessfield Road, but this has recently been acquired by Wang Ching-wei's group for use as its headquarters. It is also reported that Wang Ching-wei himself may move there to live in the near future.

Takeda (武田), chief representative of the new monopoly, has been trying very hard to secure a leading Chinese drug firm as a partner in the undertaking. It is most desirous of securing the cooperation of the International Dispensary Ltd. (五洋大藥房) but the attempt has not been successful. Some Cantonese and local drug merchants did apply to take part, but were not welcomed by the Japanese. The general issue is still pending.